



CCM 2014 Testimony

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APPROPRIATIONS COMMITTEE

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The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities and the voice of local government - your partners in governing Connecticut. Our members represent over 92% of Connecticut's population. We appreciate the opportunity to testify on bills of interest to towns and cities.

HB 5030, "An Act Making Adjustments to State Expenditures for the Fiscal Year Ending June 30, 2015"

CCM applauds the Governor for protecting the interest of property taxpayers by maintaining promised education (ECS) funding and increasing state aid (PILOT) for local revenues lost from tax exempt colleges and hospitals, among several other beneficial proposals in his proposed revisions to the State Budget.

The Governor's proposal will mean fewer property tax increases, fewer municipal employee layoffs and fewer cuts in needed local services. It recognizes that the property tax is the most onerous tax in Connecticut.

The property tax is income-blind and profit-blind. It is due and payable whether a resident has a job or not, or whether a business turns a profit or not.

The property tax levy on residents and businesses in Connecticut was \$8.98 billion in 2011.

The per capita property tax burden in Connecticut is \$2,522, an amount that is almost twice the national average of \$1,434 and 3rd highest in the nation. Connecticut ranks 8th in property taxes paid as a percentage of median home value (1.70 percent for Connecticut vs. 1.14 percent for the US).

CCM urges the Committee to ensure that the Municipal Aid Adjustment Account is sufficiently funded so that towns that are facing decreased funding (due primarily to underfunding and shifting in payments-in-lieu-of-taxes [PILOT] for state-owned property and the Pequot-Mohegan grant) are made whole. These towns include Mansfield, Somers, Newington, Cheshire, Fairfield, Westport and many others.

Severe Needs in Core Communities –Increased Reimbursement for PILOT for State-Owned Property Needed

Given the current state budget surplus and the pressing needs in many of our core struggling communities, CCM urges the General Assembly to further reinvest in our towns and cities by increasing the state-owned property PILOT.

Municipalities across our state have enacted painful budget cuts and are making preparations for additional cuts. Deep cuts in services and massive layoffs have occurred in Connecticut's central cities – with the prospect of additional cuts and layoffs on the horizon.

Connecticut relies on property taxes more than any other revenue source to fund local government services and activities and to meet the requirements of state-mandated programs. The property tax raises over *\$1 billion more* than the state personal income tax. As a result, tax-exempt property is a major issue for towns and cities – especially our core, struggling communities.

This year, municipalities are receiving about 23% reimbursement for revenue lost on state-owned property. Statutes call for a reimbursement rate of 45% on most state-owned property.

Connecticut's PILOT for state-owned property (C.G.S. § 12-19a – 12-19c) is a nation-leading PILOT program, enacted in 1969, designed to partially reimburse host municipalities for the loss of property tax revenue due to the state-mandated property tax exemption on state-owned real property.

Below is a list of state-mandated property tax exemptions. There are 78 exemptions – yet another exemption was added in 2013.

Why PILOT for State-Owned Property Should Be Increased

- Property taxes are the primary source of revenue for financing local services in Connecticut. Patrons, workers, and the tax-exempt institutions enjoy police protection, use of roads and sidewalks, garbage collection, sewerage, and the entire range of services funded from local property taxes. But, because of state-mandated exemptions, no property tax dollars are available from these institutions to finance the local services that support them.
- If the State provides less than 100% reimbursement for the loss in revenue that results from these property tax exemptions, residents and businesses in the municipalities where these exempt properties are located must pay for (subsidize) the services used by others.
- Because all state residents benefit in one way or another from the existence of tax-exempt institutions and from the services provided by their host municipalities to support them, all state residents should share the cost burden. State reimbursement for these exemptions -- funded from the many sources of revenue paid to the State by individuals and businesses -- is the appropriate mechanism for ensuring that host municipalities, and their residential and business property taxpayers, are made whole.

Municipalities greatly appreciate the proposed increase in PILOT for colleges and hospitals. The PILOT for state-owned property should be increased, also. This will not resolve the problem of Connecticut's over-reliance on property taxes to pay for public services. However, it would be a big step toward restoring fairness to a system which now penalizes municipalities for hosting and supporting tax-exempt institutions.



If you have any questions, please contact Ron Thomas, Director of Public Policy & Advocacy of CCM, at rthomas@ccm-ct.org or (203) 430-5537.

STATE MANDATED PROPERTY TAX EXEMPTIONS

Every year there are many well-intentioned proposals to reduce the property tax burden of one group or another. Everybody wants out of the property tax – but peeling off one group after another is not reform. Again, these would only serve to shift the burden of those taxes to the remaining property owners of a given municipality.

Currently, there are close to two-dozen opportunities for property tax abatement at municipal option and 77 **mandated ones** (see below).

In an economy where local officials are struggling to sustain critical services – amidst growing deficits, evaporating revenues, and layoffs – this bill would negatively impact hometown budgets. Towns and cities have already suffered significant cuts in state aid over the last several years and the State is currently grappling with a huge deficits. This is not the time for enacting any new unfunded mandates, no matter what the reason.

The following property is exempt from taxation per Connecticut General Statutes (C.G.S. §12-81):

1. Property of the United States
2. State property, reservation land held in trust by the state for an Indian tribe.
3. County Property (repealed).
4. Municipal Property.
5. Property held by trustees for public purposes.
6. Property of volunteer fire companies and property devoted to public use.
7. Property used for scientific, educational, literary, historical or charitable purposes.
8. College property.
9. Personal property loaned to tax-exempt educational institutions
10. Property belonging to agricultural or horticultural societies.
11. Property held for cemetery use.
12. Personal property of religious organizations devoted to religious or charitable use.
13. Houses of religious worship.
14. Property of religious organizations used for certain purposes.
15. Houses used by officiating clergymen as dwellings.
16. Hospitals and sanatoriums.
17. Blind persons.
18. Property of veterans' organizations.
 - a. Property of bona fide war veterans' organization.
 - b. Property of the Grand Army the Republic.
19. Veteran's exemptions.
20. Servicemen and veterans having disability ratings.
21. Disabled veterans with severe disability.
 - a. Disabilities.
 - b. Exemptions hereunder additional to others. Surviving spouse's rights.
 - c. Municipal option to allow total exemption for residence with respect to which veteran has received assistance for special housing under Title 38 of the United States Code.
22. Surviving spouse or minor child of serviceman or veteran.
23. Serviceman's surviving spouse receiving federal benefits.
24. Surviving spouse and minor child of veteran receiving compensation from Veteran's Administration.
25. Surviving parent of deceased serviceman or veteran.
26. Parents of veterans.
27. Property of Grand Army Posts.
28. Property of United States Army instructors.
29. Property of the American National Red Cross.
30. Fuel and provisions.
31. Household furniture.
32. Private libraries.
33. Musical instruments.
34. Watches and jewelry.
35. Wearing apparel.

36. Commercial fishing apparatus.
37. Mechanic's tools.
38. Farming tools.
39. Farm produce.
40. Sheep, goats, and swine.
41. Dairy and beef cattle and oxen.
42. Poultry.
43. Cash.
44. Nursery products.
45. Property of units of Connecticut National Guard.
46. Watercraft owned by non-residents (repealed).
47. Carriages, wagons, and bicycles.
48. Airport improvements.
49. Nonprofit camps or recreational facilities for charitable purposes.
50. Exemption of manufacturers' inventories.
51. Water pollution control structures and equipment exempt.
52. Structures and equipment for air pollution control.
53. Motor vehicle of servicemen.
54. Wholesale and retail business inventory.
55. Property of totally disabled persons.
56. Solar energy systems.
57. Class I renewable energy sources and hydropower facilities.
58. Property leased to a charitable, religious, or nonprofit organization.
59. Manufacturing facility in a distressed municipality, targeted investment community, or enterprise zone.
60. Machinery and equipment in a manufacturing facility in a distressed municipality, targeted investment community, or enterprise zone.
61. Vessels used primarily for commercial fishing.
62. Passive solar energy systems.
63. Solar energy electricity generating and cogeneration systems.
64. Vessels.
65. Vanpool vehicles.
66. Motor vehicles leased to state agencies.
67. Beach property belonging to or held in trust for cities.
68. Any livestock used in farming or any horse or pony assessed at less than \$1000.
69. Property of the Metropolitan Transportation Authority.
70. Manufacturing and equipment acquired as part of a technological upgrading of a manufacturing process in a distressed municipality or targeted investment community.
71. Any motor vehicle owned by a member of an indigenous Indian tribe or their spouse, and garaged on the reservation of the tribe (PA 89-368)
72. New machinery and equipment, applicable only in the five full assessment years following acquisition.
73. Temporary devices or structures for seasonal production, storage, or protection of plants or plant material.
74. Certain vehicles used to transport freight for hire.
75. Certain health care institutions.
76. New machinery and equipment for biotechnology, after assessment year 2011.
77. Real Property of any Regional Council or Agency
78. Renewable energy sources installed after January 2014.